

CITY OF HARAHAN, LOUISIANA**Financial Statements and Schedules****December 31, 2004****With Independent Auditors' Report Thereon**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-20-05

CITY OF HARRAHAN, LOUISIANA

Table of Contents

December 31, 2004

	<u>Statement/ Schedule</u>	<u>Page</u>
I. <u>FINANCIAL SECTION</u>		
Independent Auditors' Report		1
Government Financial Statements:		
Required Supplementary Information- Management's Discussion and Analysis		3
Basic Financial Statements:		
Government-Wide Financial Statements		
Statement of Net Assets	A	12
Statement of Activities	B	13
Fund Financial Statements:		
Governmental Funds		
Balance Sheet	C	14
Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Assets	D	15
Statement of Revenues, Expenditures, and Changes in Fund Balance	E	16
Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	F	17
Proprietary Funds:		
Statement of Net Assets	G	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	19
Statement of Cash Flows	I	20
Notes to Financial Statements		21

CITY OF HARAHAN, LOUISIANA

Table of Contents, Continued

December 31, 2004

	<u>Statement/ Schedule</u>	<u>Page</u>
Required Supplementary Information-Other:		
Budgetary Comparison Schedules		
General Fund	1	34
Sales Tax Fund	2	35
Combining Non-Major Governmental Funds – By Fund Types		
Combining Balance Sheet	3	36
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance	4	37
II. <u>SUPPLEMENTAL INFORMATION SCHEDULES</u>		
Schedule of Compensation Paid to City Council Members	5	38
III. <u>ADDITIONAL REPORT</u>		
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		39
Appendix A – Schedule of Findings and Questioned Costs		41
Appendix B – Schedule of Prior Year Findings and Questioned Costs		43



Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

Independent Auditors' Report

The Honorable Mayor and City Council
City of Harahan, Louisiana:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harahan, Louisiana, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 11 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* in 2004.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information for the City as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 34 through 35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying financial information as listed in the Table of Contents as Supplemental Information Schedules, pages 36 through 38 is presented for purposes of additional analysis and is not a required part of the government financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the government financial statements and the combining and individual fund financial statements and schedules, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Postathwaite & Nettewille

Metairie, Louisiana
May 27, 2005

CITY OF HARAHAH

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

As financial management of the City government, we offer readers of this financial statement an overview and analysis of the financial activities of the City of Harahan. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the government's financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. It should be read in conjunction with the Letter of Transmittal and the financial statements that begin with Statement A.

FINANCIAL HIGHLIGHTS

- At December 31, 2004, unreserved fund balance for the General Fund was \$560,539, or 14% of total 2004 General Fund expenditures.
- Assets of the City government exceeded its liabilities at the close of the most recent fiscal year by \$867,624 (*net assets*).
- As of the close of the current fiscal year, the government's governmental funds reported combined ending fund balance deficit of (\$1,613,531).

OVERVIEW OF THE FINANCIAL STATEMENTS

With the implementation of Governmental Accounting Standards Board Statement 34, a government's presentation of financial statements has been greatly changed. The new statements focus on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance the City's accountability.

Government-Wide Financial Statements

The government-wide financial statements (see Statement A and B) are designed to be similar to those of private sector businesses in that all governmental and business-type activities are consolidated into columns which add to a total for the government. The statements combine all governmental funds' current financial resources with capital assets and long-term obligations. Also presented in the government-wide financial statements is a total column for the business-type activities of the government.

The Statement of Net Assets (Statement A) presents information on all the government's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF HARAHAN

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

December 31, 2004

The Statement of Activities (Statement B) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods. For example, uncollected taxes and earned but unused vacation leave result in cash flows for future periods. The focus of the Statement of Activities is on both the gross and net cost of various activities which are funded by the City's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The governmental activities reflect the City's basic services including general government services (executive, legislative, judicial), public safety (fire and police), public works (sanitation and street and road maintenance), recreation, and intergovernmental.

These services are financed primarily with taxes. The business-type activities reflect private sector type operations (sewer district) where the fee for service typically covers all or most of the cost of operations, including depreciation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Governmental Major Fund (see Statement C and E) presentation is presented on a modified accrual basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and the generally accepted accounting principle (GAAP) basis. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. The City has presented the General Fund, Sales Tax Fund, Bond Sinking Fund, and Bond Reserve Fund as major funds. All non-major governmental funds are presented in one column, titled Non-Major Fund Type. Combining financial statements of the non-major funds can be found in the Combining and Individual Fund Statements that follow the basic financial statements.

Proprietary Funds encompass the enterprise fund on the fund financial statements. The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Proprietary fund of the City is the Sewer District fund.

Fund financial statements also allow the City to present *fiduciary funds*. While these funds represent a trust

CITY OF HARAHAN

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

December 31, 2004

responsibility, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

While the activity reported on the business-type fund financial statements for enterprise funds (see Statement H) is the same as the business-type column at the government-wide financial statement, the governmental major funds total column requires a reconciliation because of the different measurement focus which is reflected on the page following each statement (see Statements D and F). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources and will show capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the Governmental Activities column in the government-wide statements.

Capital Assets

General capital assets include land, improvements to land, buildings, transportation equipment, other equipment, computer equipment, and furniture and fixtures and all other tangible assets that are used in operations and that have initial useful lives greater than two years and exceed the government's capitalization threshold (see Financial Statement Note 1). The City has capitalized all purchased general capital assets. Infrastructure assets (those placed into the government's maintenance through contributions from private development) have not been capitalized in this financial presentation for the years 1980 through 2002. Governmental Accounting Standards Board Statement No. 34 allows the City a transitional period for reporting infrastructure assets purchased prior to 2003 until 2007. Prior to the implementation of the new reporting model, no depreciation is charged on general capital assets.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning major fund budgetary comparisons. Required supplementary information can be found at Schedules 1 and 2.

The combining statements referred to earlier in connection with the non-major governmental and proprietary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules include Schedules 3 through 4 of the report. Certain supplementary financial information can be found in Schedule 5 of this report. This schedule is included for additional information and analysis and does not constitute a part of the audited financial statements.

CITY OF HARRAHAN

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

December 31, 2004

Government-Wide Financial Analysis

The following table reflects the condensed Statement of Net Assets for 2004:

	2004		
	Governmental Activities	Business- Type Activities	Total
Assets:			
Current and Other Assets	\$ 2,388,052	\$ 115,831	\$ 2,503,883
Restricted Assets	-	-	-
Capital Assets	<u>939,619</u>	<u>3,030,665</u>	<u>3,970,284</u>
Total Assets	<u>3,327,671</u>	<u>3,146,496</u>	<u>6,474,167</u>
Liabilities:			
Current Liabilities	1,261,969	465,341	1,727,310
Long-Term Liabilities	<u>3,679,233</u>	<u>200,000</u>	<u>3,879,233</u>
Total Liabilities	<u>4,941,202</u>	<u>665,341</u>	<u>5,606,543</u>
Net Assets:			
Invested in Capital Assets			
Net of Debt	674,676	2,780,665	3,455,341
Restricted	374,056	-	374,056
Unrestricted	<u>(2,662,263)</u>	<u>(299,510)</u>	<u>(2,961,773)</u>
Total Net Assets	<u>\$ (1,613,531)</u>	<u>\$ 2,481,155</u>	<u>\$ 867,624</u>

For more detailed information see Statement A, the Statement of Net Assets. Approximately \$3,970,284 of the City's net assets as of December 31, 2004, reflects the government's investment in capital assets (land, buildings, infrastructure, transportation equipment, other equipment, computer equipment, and furniture and fixtures) less any related outstanding debt used to acquire those assets. The City government uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Another \$374,000 of the government's net assets is subject to external restrictions on how those assets may be used, such as sales tax approved by the electorate for specific purposes.

CITY OF HARAHAN

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

December 31, 2004

The table below provides a summary of the changes in net assets for the year ended December 31, 2004:

**City of Harahan
Condensed Statement of Changes in Net Assets
For the Year Ended December 31, 2004**

	2004		
	Governmental Activities	Business- Type Activities	Total
Revenues:			
Program Revenue:			
Charges for Services	\$ 1,354,760	\$ 447,861	\$ 1,802,621
Operating Grants and Contributions	94,923	-	94,923
Capital Grants and Contributions	96,704	-	96,704
General Revenue:			
Ad valorem (property) taxes	720,220	153,390	873,610
Sales and use taxes	1,335,369	-	1,335,369
Other State Revenue not Restricted to Specific Program	327,367	-	327,367
Fines, forfeitures, and other	435,671	-	435,671
Interest income	21,135	1,102	22,237
Other	60,913	-	60,913
Total Revenues	4,447,062	602,353	5,049,415
Expenses:			
General Government	797,247	-	797,247
Public Safety	2,129,129	-	2,129,129
Public Works	182,059	-	182,059
Sewer	-	595,243	595,243
Sanitation	561,409	-	561,409
Recreation	194,199	-	194,199
Interest and Fiscal Charges	198,467	-	198,467
Depreciation	144,037	-	144,037
Amortization	3,993	-	3,993
Total Expenses	4,210,540	595,243	4,805,783
Increase (Decrease) in Net Assets	236,522	7,110	243,632
Net Assets, January 1	(1,850,053)	2,474,045	623,992
Net Assets, December 31	\$ (1,613,531)	\$ 2,481,155	\$ 867,624

CITY OF HARAHAN

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

December 31, 2004

The government's net assets increased \$243,632 during the current fiscal year. *Governmental Activities* net assets increased \$243,000 in 2004, primarily due to:

- (1) Capital project revenue funded by video poker receipts exceeded capital expenditures by \$84,711. The capital projects fund has \$102,914 available to fund future projects.
- (2) An additional \$68,550 in sales tax receipts due to overall economic growth within the City.
- (3) A decrease of \$95,000 in bonds payable caused by the principal payment during the year. A decrease of \$44,379 in capital lease liability caused by the principal payment during the year.

Business Type Activities' net assets increased \$7,000 in 2004. Charges for services were \$447,861 and property tax revenue was \$153,390. Sewer and sewer related expenses totaled \$595,243 in 2004.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the government's governmental funds reported combined ending fund balances of \$1,038,465, an increase of \$100,062 in comparison with the prior year. Certain balances in the fund balance are *reserved* to indicate that it is not available for new spending because it has already been committed to: (1) designated for capital projects (\$103,468), (2) payment of debt service (\$367,284), or (3) prepaid insurance (\$6,772).

The General Fund is the chief operating fund of the City of Harahan. At the end of the current fiscal year fund balance of the General Fund was \$567,311, which included an unreserved and undesignated balance of \$560,539 and \$6,772 reserved for prepaid insurance. The fund balance, as restated, of the General Fund at the end of 2003 was \$569,387.

The fund balance of the Sales Tax Fund increased from \$157 to \$402. The increase was a result of the interest income earned during 2004. Sales tax receipts of \$1,309,983 received during 2004 were transferred to the General fund (\$1,010,226) and the Bond Sinking fund (\$509,247).

The fund balance of the Bond Sinking fund increased from \$55,930 to \$68,410. The Bond Sinking fund increased \$12,480 resulting from sales tax revenue being greater than the transfers to the General fund and principal and interest payments.

CITY OF HARAHAAN

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

December 31, 2004

The fund balance of the Bond Reserve fund increased from \$294,173 to \$298,873. The Bond Reserve fund increased \$4,700 resulting from interest income.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Sewer Fund (Enterprise Fund) at December 31, 2004 totaled \$2,481,155. The Funds had unrestricted net assets of (\$299,510) and net assets of \$2,780,665 invested in capital assets, net of related debt. The funds received revenue from charges for services of \$447,861 and property tax revenues of \$153,390. General operating expenditures of the fund was \$488,026 and depreciation totaled \$107,217.

General Fund Budgetary Highlights

The City approved the final budget revision in December 2004. Budgeted revenues for 2004 of \$2,882,131 were consistent with the prior year budgeted revenues of \$2,916,421. Budgeted expenditures for 2004 of \$3,617,778 were consistent with the prior year budgeted expenditures of \$3,546,431. The current year budget deficit of \$60,647 as approved by the Council is to be funded from prior year fund balance. Material differences between actual results and final amended budgeted amounts are as follows:

- Intergovernmental revenue includes grant revenue of \$150,029 for police overtime or police related programs (80,579), playground and related equipment (\$29,450), and a Rural Development grant (\$40,000). These grant revenues were not included in the budget.
- Fees, licenses and permits revenue is less than budget by \$66,000 due to insurance occupational license revenue of \$224,178 being \$45,824 less than the budgeted revenue of \$270,000.
- Fines and forfeiture revenue is greater than budget by \$71,461 due to court fines of \$313,219 being \$63,219 greater than the budgeted revenue of \$250,000.
- The public safety-police expenditures of \$1,405,346 are \$220,134 greater than budgeted expenditures of \$1,185,212. The actual expenditures are greater than budgeted expenditures due to salary and related benefit costs exceeding the budgeted amounts. Specifically, the following line items exceeded the budgeted amount by the amounts indicated: Salary - \$92,141, Overtime pay - \$60,100, and Police Retirement pay - \$41,317. A portion of the police expenditures that exceeded the budgeted amount are grant related which are not budgeted.
- Capital outlay expenses exceeded the budgeted amount because the capital acquisitions funded by grants are not included in the budgeted amounts.
- The Sales tax fund revenues are greater than budget due to the sales tax budget does not include an amount for the tax revenues dedicated to the Bond Sinking fund.

CITY OF HARAHAH

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

December 31, 2004

Capital Asset and Debt Administration

Capital Assets: The City of Harahan Government's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$3,970,284 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, transportation equipment, computer equipment, other equipment, and furniture and fixtures. The total increase in the City's investment in capital assets for the current fiscal year was \$132,808, a 4% increase for governmental activities. For business-type activities, capital assets increased \$84,556 or 2%.

**City of Harahan
Capital Assets (Net of Depreciation)
December 31, 2004**

	2004		
	Governmental Activities	Business- Type Activities	Total
Land, land improvement, and buildings	\$ 1,513,209	\$ 13,727	\$ 1,526,936
Sewer treatment plant and system	-	5,033,907	5,033,907
Transportation equipment	1,359,801	26,230	1,386,031
Other equipment	661,595	-	661,595
Furniture and fixtures	29,908	-	29,908
Computer equipment	105,456	-	105,456
	<u>3,669,969</u>	<u>5,073,864</u>	<u>8,743,833</u>
Less: Accumulated Depreciation	<u>(2,730,350)</u>	<u>(2,043,199)</u>	<u>(4,773,549)</u>
	<u>\$ 939,619</u>	<u>\$ 3,030,665</u>	<u>\$ 3,970,284</u>

Major capital asset events during the current fiscal year included the following:

- Purchase of \$25,374 of playground equipment.
- Purchase of \$12,600 of used police vehicles.
- New air conditioner unit for the recreation department for \$27,608.
- New grit removal system for the sewer plant for \$65,273

Additional information on the City's capital assets can be found in Note 6 of this report.

CITY OF HARAHAH

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

December 31, 2004

Long-Term Debt: At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,355,000. The debt represents bonds secured by specified revenue sources such as the general sales tax. Additional information on debt administration can be found in Note 7 of this report.

Economic Factors and Next Year's Budget and Rates

The City receives approximately 30% of its revenues from sales tax levied by the City and 16% from ad valorem taxes; therefore, economic indicators are very important in forming the budget estimates for the City funds. Revenue assumptions are reviewed by the City Council and the Mayor. The uncertainties of the national, state and local economy requires prudent budgeting by the City's elected officials. The City continues to apply for federal and state grants in order to improve the quality of life for the people of the City.

Requests For Information

This financial report is designed to provide a general overview of the finances of the City of Harahan, Louisiana, for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Mayor 6437 Jefferson Highway, Harahan, Louisiana, 70123.

CITY OF HARAHAN

Statement of Net Assets

December 31, 2004

	Governmental Activities	Business Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,172,083	\$ 79,407	\$ 1,251,490
Receivables	487,668	36,424	524,092
Prepays and other assets	6,772	-	6,772
Deferred finance fees	101,587	-	101,587
Restricted assets:			
Cash	580,521	-	580,521
Capital assets, net of depreciation:	939,619	3,030,665	3,970,284
Other	39,421	-	39,421
Total assets	\$ 3,327,671	\$ 3,146,496	\$ 6,474,167
Liabilities:			
Accounts, salaries and other payables	\$ 293,142	275,341	568,483
Due to other funds	(140,000)	140,000	-
Deferred revenues	782,310	-	782,310
Other liabilities	130,000	-	130,000
Interest payable	24,075	-	24,075
Long term liabilities			
Due within one year	172,442	50,000	222,442
Due after one year	3,679,233	200,000	3,879,233
Total liabilities	\$ 4,941,202	\$ 665,341	\$ 5,606,543
Net Assets:			
Invested in capital assets, net of related debt	\$ 674,676	2,780,665	3,455,341
Restricted for debt service	367,284	-	367,284
Unrestricted	(2,655,491)	(299,510)	(2,955,001)
Total net assets	\$ (1,613,531)	\$ 2,481,155	\$ 867,624

See accompanying notes to financial statements.

CITY OF HARAHAN

Statement of Activities

For the year ended December 31, 2004

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contrib- utions	Capital Grants and Contrib- utions	Net (Expense) Revenue and Changes In Net Assets		
					Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 797,247	\$ 753,175	\$ -	\$ 69,450	\$ 25,378	\$ -	\$ 25,378
Public safety - police	1,409,820	-	59,026	27,254	(1,323,540)	-	(1,323,540)
Public safety - fire	719,309	61,350	35,897	-	(622,062)	-	(622,062)
Public works	182,059	-	-	-	(182,059)	-	(182,059)
Sanitation	561,409	540,235	-	-	(21,174)	-	(21,174)
Recreation	194,199	-	-	-	(194,199)	-	(194,199)
Interest and fiscal charges	198,467	-	-	-	(198,467)	-	(198,467)
Depreciation	144,037	-	-	-	(144,037)	-	(144,037)
Amortization	3,993	-	-	-	(3,993)	-	(3,993)
Total governmental activities	4,210,540	1,354,760	94,923	96,704	(2,664,153)	-	(2,664,153)
Business-Type Activities:							
Sewer	595,243	447,861	-	-	-	(147,382)	(147,382)
Total governmental activities	\$ 4,805,783	\$ 1,802,621	\$ 94,923	\$ 96,704	\$ (2,664,153)	\$ (147,382)	\$ (2,811,535)
General revenues							
Taxes:							
Ad valorem (property) taxes					720,220	153,390	873,610
Sales and use taxes					1,335,369	-	1,335,369
Other funding sources, including grants:							
Fines, forfeitures and other					435,671	-	435,671
Other state revenue not restricted to specific programs					327,367	-	327,367
Interest and investment earnings					21,135	1,102	22,237
Miscellaneous					60,913	-	60,913
Total general revenues					2,900,675	154,492	3,055,167
Changes in net assets					236,522	7,110	243,632
Net assets, beginning of year as restated					(1,850,053)	2,474,045	623,992
Net assets, end of year					\$ (1,613,531)	\$ 2,481,155	\$ 867,624

See accompanying notes to financial statements.

CITY OF HARAHAN

Governmental Funds - Balance Sheet
December 31, 2004

	Major Fund Types				Total
	General	Sales tax Fund	Sales Tax Bond Sinking	Sales Tax Bond Reserve	
ASSETS					
Cash	\$ 1,079,137	\$ 402	\$ 281,074	\$ 299,447	\$ 1,752,604
Receivables	224,374	73,342	46,825	-	344,541
Due from other funds	473,404	-	-	-	496,928
Prepaid insurance	6,772	-	-	-	6,772
Total assets	\$ 1,783,687	\$ 73,744	\$ 327,899	\$ 299,447	\$ 2,600,845
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 124,369	\$ -	\$ -	\$ -	\$ 136,969
Accrued salaries	156,173	-	-	-	156,173
Accrued expenses	130,000	-	-	-	130,000
Deferred revenue	782,310	-	-	-	782,310
Due to other funds	23,524	73,342	259,489	573	356,928
Total liabilities	1,216,376	73,342	259,489	573	1,562,380
FUND BALANCES					
Reserved for prepaid insurance	6,772	-	-	-	6,772
Reserved for debt service	-	-	68,410	298,874	367,284
Unreserved and designated for capital	-	-	-	-	103,468
Unreserved and undesignated	560,539	402	-	-	560,941
Total fund balances	567,311	402	68,410	298,874	1,038,465
Total liabilities and fund balances	\$ 1,783,687	\$ 73,744	\$ 327,899	\$ 299,447	\$ 2,600,845

See accompanying notes to financial statements.

CITY OF HARAHAN

Statement D

Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Assets

December 31, 2004

Total fund balances – governmental funds \$ 1,038,465

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Parish as a whole. The cost of those assets is allocated over their estimated useful lives (as depreciation expense) to the various programs and reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$ 3,669,969	
Accumulated depreciation	<u>(2,730,350)</u>	939,619

The cost of bond issuance is reported as an expenditure in governmental funds, but is included as governmental activities in the government wide financial statement.

Bond issuance costs - 1999 bond issue	113,548	
Accumulated amortization of bond issuance costs	<u>(11,961)</u>	101,587

Change in revenue accruals – Under modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net increase in revenues.

	<u>143,127</u>	143,127
--	----------------	---------

Accrual basis recognition of interest expenditures

	<u>(24,075)</u>	(24,075)
--	-----------------	----------

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All Liabilities – both current and long-term – are reported in the Statement of Net Assets.

Balance at December 31, 2004 are:

Bonds payable	(3,355,000)	
Bond discount - 1999 bond issue	44,062	
Accumulated amortization of bond discount	(4,641)	
Capital lease payable	(264,943)	
Compensated absences	<u>(231,732)</u>	<u>(3,812,254)</u>

Net assets – governmental activities

	\$	<u>(1,613,531)</u>
--	----	--------------------

See accompanying notes to financial statements.

CITY OF HARAHAN

Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types

For the year ended December 31, 2004

	General	Major Fund Types			Non-Major Fund Type	Total
		Sales Tax Fund	Bond Sinking	Sales Tax Bond Reserve		
REVENUES						
Taxes						
Ad valorem	\$ 720,220	\$ -	\$ -	\$ -	\$ -	\$ 720,220
Sales and Use						
Intergovernmental	382,867	1,309,983	-	-	-	1,309,983
Fees, licenses and permits	753,175	-	-	-	-	753,175
Fines and forfeitures	435,671	-	-	-	-	435,671
Charges for services	601,585	-	-	-	-	601,585
Gaming revenue	136,127	-	-	-	-	136,127
Interest income	10,790	245	4,489	4,700	911	21,135
Other	60,913	-	-	-	-	60,913
Total revenues	3,101,348	1,310,228	4,489	4,700	911	4,421,676
EXPENDITURES						
General government	778,104	-	-	-	21,361	799,465
Public safety - police	1,405,346	-	-	-	-	1,405,346
Public safety - fire	756,696	-	-	-	-	756,696
Public works	182,059	-	-	-	-	182,059
Sanitation	561,409	-	-	-	-	561,409
Recreation	192,065	-	-	-	-	192,065
Debt service	-	-	95,000	-	-	95,000
Redemption of bonds	-	-	196,766	-	-	196,766
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	103,074	-	-	-	29,734	132,808
Total expenditures	3,978,753	-	291,766	-	51,095	4,321,614
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(877,405)	1,310,228	(287,277)	4,700	(50,184)	100,062
OTHER FINANCING SOURCES (USES)						
Operating transfers in	1,010,226	-	509,247	-	134,895	1,654,368
Operating transfers out	(134,895)	(1,309,983)	(209,490)	-	-	(1,654,368)
Total other financing sources (uses)	875,331	(1,309,983)	299,757	-	134,895	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND EXPENDITURES AND OTHER USES	(2,074)	245	12,480	4,700	84,711	100,062
FUND BALANCES - BEGINNING OF YEAR, as restated	569,387	157	55,930	294,173	18,756	938,403
FUND BALANCES - END OF YEAR	\$ 567,313	\$ 402	\$ 68,410	\$ 298,873	\$ 103,467	\$ 1,038,465

See accompanying notes to financial statements.

CITY OF HARAHAN

Reconciliation of the Governmental Funds' Statement of Revenues,
Expenditures, and Changes in Fund Balance to the Statement of Activities

For the year ended December 31, 2004

Total net changes in fund balances – governmental funds	\$		100,062
Amounts reported for governmental activities in the Statement of Activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the project.			
Capital outlays	\$	132,808	
Depreciation expense		<u>(144,037)</u>	(11,229)
Bond issuance costs are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the term of the bond issue as amortization expense.			
Amortization expense - bond issuance costs	\$	<u>(2,877)</u>	(2,877)
Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of repayments and refunding of bonds payables and capital leases. Bond discount is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the term of the bond issue as amortization expense.			
Bond principal payments	\$	95,000	
Amortization expense - bond premium		(1,116)	
Capital lease principal payments		<u>44,379</u>	138,263
Change in revenue accruals - Under modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so certain revenues not available for spending are recognized in the current year.			
		<u>25,386</u>	25,386
Change in accrual basis recognition of interest expenditures			
		<u>(1,701)</u>	(1,701)
In the Statement of Activities, certain operating expenses-compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time earned exceeded the amounts used by \$42,246			
		<u>(11,382)</u>	<u>(11,382)</u>
Change in net assets of governmental activities	\$		<u>236,522</u>

See accompanying notes to financial statements.

Statement G

CITY OF HARRAHAN

Proprietary Fund
Statement of Net Assets

December 31, 2004

	Sewer Fund
ASSETS	
Cash	\$ 79,407
Accounts receivable	<u>36,424</u>
Total current assets	<u>115,831</u>
PROPERTY, PLANT, AND EQUIPMENT	
Property, plant, & equipment, at cost	5,073,864
Less: Accumulated depreciation	<u>(2,043,199)</u>
Property, plant, and equipment, net	<u>3,030,665</u>
Total assets	<u>\$ 3,146,496</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts and other payables	\$ 275,341
Loan payable	250,000
Due to other funds	<u>140,000</u>
Total liabilities	<u>665,341</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,780,665
Unrestricted	<u>(299,510)</u>
Total net assets	<u>2,481,155</u>
Total liabilities and net assets	<u>\$ 3,146,496</u>

See accompanying notes to financial statements.

CITY OF HARRAHAN

Proprietary Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the year ended December 31, 2004

	<u>Sewer Fund</u>
OPERATING REVENUES	
Charges for service	<u>447,861</u>
Total operating revenues	<u>447,861</u>
OPERATING EXPENSES	
Contractual services	355,738
Supplies, maintenance, and repairs	132,288
Depreciation	<u>107,217</u>
Total operating expenses	<u>595,243</u>
Operating Loss	<u>(147,382)</u>
NON-OPERATING REVENUES	
Property tax revenue	153,390
Interest income	<u>1,102</u>
Total non-operating revenues	<u>154,492</u>
CHANGES IN NET ASSETS	7,110
NET ASSETS:	
BEGINNING OF YEAR	<u>2,474,045</u>
END OF YEAR	<u><u>\$ 2,481,155</u></u>

See accompanying notes to financial statements.

CITY OF HARAHAH

Proprietary Fund
Statement of Cash Flows

For the year ended December 31, 2004

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 463,953
Cash paid to suppliers of goods or services	<u>(426,077)</u>
Net cash provided by operating activities	<u>37,876</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment on loan	(50,000)
Taxes received	<u>153,390</u>
Net cash provided by capital and related financing activities	<u>103,390</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property, plant, & equipment	(84,556)
Investment income	<u>1,104</u>
Net cash used in investing activities	<u>(83,452)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	57,814
CASH AND CASH EQUIVALENTS:	
BEGINNING OF YEAR	<u>21,593</u>
END OF YEAR	<u>\$ 79,407</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (147,382)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	107,217
Decrease in accounts receivable	16,094
Increase in due from other funds	541
Increase in accounts payable and accrued expenses	<u>61,406</u>
Net cash provided by operating activities	<u>\$ 37,876</u>

See accompanying notes to financial statements.

CITY OF HARRAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(1) Summary of Significant Accounting Policies

The City of Harahan, Louisiana (the City) was incorporated under the provisions of the State of Louisiana Lawrason Act in 1920 as a village with a population then of 500 people and an area of 2.1 square miles. It was classified as a city in 1953 with a population of over 10,000 people. The City's current population is approximately 9,900 people.

The City's financial statements include the accounts of all City operations. The City's operations include police and fire protection, waste collection, parks, recreation, public works and general administrative services. In addition, the City owns and operates a local sewer system.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

(a) *Reporting Entity*

The City's financial statements include operations of all activities over which the City exercises oversight responsibility. Oversight responsibility is demonstrated through financial interdependency, selection of governing authority, ability to significantly influence operations, and accountability for fiscal matters and, as such, the City is a reporting entity.

For financial reporting purposes, the City includes all funds and account groups that are controlled by or dependent on the Mayor and the City's Council.

(b) *Basis of Presentation*

The accompanying financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Government Accounting standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

(c) *Fund Accounting*

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds of the City are classified into two categories: governmental and proprietary. Each category in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follows:

CITY OF HARAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(1) Summary of Significant Accounting Policies

(c) Fund Accounting (Continued)

Governmental Fund Types

Governmental funds are used to account for the City's expendable financial resources and related liabilities (except those accounted for in proprietary funds). The measurement focus is based upon the determination of changes in financial position, rather than net income determination. The following are the City's governmental fund types:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Currently, sales tax proceeds flow through the special revenue fund, first to meet debt service requirements and then to the general fund.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Proprietary Fund Type

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is based upon the determination of net income and capital maintenance. The City's sole proprietary fund is Sewerage District No. 1 (the District), an enterprise fund.

Enterprise Fund - This fund is used to account for operations of the District where: (a) it is financed and operated in a manner similar to a private business enterprise, and (b) the periodic determination of net income is appropriate.

(d) Basis of Accounting/Measurement focus

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. The Statement of Net Assets and the Statement of Activities were prepared using the economic resources management focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from the exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Non-Exchange Transactions".

CITY OF HARRAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(1) Summary of Significant Accounting Policies

(d) *Basis of Accounting/Measurement focus (Continued)*

Program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions; program revenues reduce the cost of the function to be financed from the City's general revenues. Charges for services consist primarily of licenses, franchise fees, and sanitation services. Operating grants and contributions primarily consists of grants/taxes for the operation of the police and fire departments. Capital grants and contributions primarily consist of funding from the State for police equipment, playground equipment, and air conditioning equipment.

Fund Financial Statements (FFS)

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported as a separate column. The major funds reported are the General Fund, Sales Tax fund, Debt Sinking Fund, and the Debt Reserve Fund. Non-major funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing resources) and decreases (expenditures and other financing uses) in net current assets.

Specifically, governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized as a liability when incurred. Principal and interest on general long-term debt is recognized when due.

Property taxes are recognized as revenue in the year for which taxes have been levied and collected. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The City's proprietary fund, the District, is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Based on historical collection experience, no allowance for estimated uncollectible receivables is recorded.

CITY OF HARAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(1) Summary of Significant Accounting Policies

(d) Basis of Accounting/Measurement focus (Continued)

The City's proprietary fund applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements.

(e) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded, is employed by the General Fund and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. As materials are subsequently received and construction contracts are executed, liabilities are recorded and the related encumbrances are liquidated.

(f) Cash

Cash includes amounts on hand and on deposit at financial institutions.

(g) Capital Assets

Land, building and improvements, furniture and equipment are recorded as expenditures in the governmental or business-type activities columns in the government wide financial statements. Capital assets are recorded at historical cost or estimate historical cost, if actual historical cost is not available. Donated assets are valued at their estimated market value on the date of donation. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000.

The cost of normal maintenance and repairs that do not add to the value for the asset or materially extend asset lives are not capitalized. Improvements are capitalized over the remaining useful lives of the assets.

Capital assets are depreciated over their estimated useful lives. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimate useful lives.

Land	n/a
Building and improvements	10-39 years
Computer equipment	5 years
Furniture and fixtures	7-10 years
Other equipment	5-15 years
Transportation equipment	5-10 years

CITY OF HARAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(1) Summary of Significant Accounting Policies (Continued)

(h) *Property, Plant and Equipment - Proprietary Fund*

Property, plant and equipment used by the proprietary fund is stated at cost. Contributed assets are recorded at fair market value at the time received. Net interest costs are capitalized on projects during the construction period. Depreciation is provided using the straight-line method over the estimated useful lives. Depreciation on assets acquired through contributions is charged to contribute capital.

(i) *Accrued Vacation*

The City's policy permits employees to accumulate a limited amount of earned but unused vacation benefits. Benefits are accrued in the period they are earned. An employee has a probationary period of 6 months before any vacation time can be earned. For all employees with 1 year of continuous service, the City allows 1 week of vacation to be earned per year. For employees with between 2 and 5 years of continuous service, the City allows 2 weeks vacation time per year. For employees with 6-10 years of employment, 3 weeks of vacation time per year is earned. For employees with 10 years or more of continuous service, 4 weeks of vacation pay is earned per year. Earned vacation time may be carried forward, not to exceed 90 days of earned vacation time. Accrued vacation pay is recorded in the general fund.

At December 31, 2004, employees of the City have accumulated and vested \$231,732 of compensated absence benefits. Of this portion \$30,414 is current portion and is expected to be paid in 2005.

(j) *Fund Equity*

Reserved fund balance and retained earnings indicate that a portion of fund equity legally is segregated for specific purposes. Designated fund balance indicates that portion of fund equity for which the City has made tentative plans.

(k) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

(2) Budgetary Procedures and Budgetary Accounting

The City's procedures in establishing the budgetary data included in the general purpose financial statements are as follows:

- (1) Prior to December 1, the Mayor submits to the City's Council a proposed operating line item budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF HARAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(2) Budgetary Procedures and Budgetary Accounting (Continued)

- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to January 1, the budget is legally adopted through passage of an appropriation ordinance by the Council.
- (4) The City Council must approve transfers of budgeted amounts between line items within a department and any revisions that alter the total expenditures of any fund or department.
- (5) Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Project-length financial plans are adopted for the Capital Project Funds and are used as an expenditure control device.
- (6) The budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). All unencumbered and unexpended appropriations lapse at year end.
- (7) As required by state law, when actual revenues within a fund are failing to meet estimated annual budgeted revenue by five percent or more, and/or actual expenditures within a fund are exceeding estimated budgeted expenditures by five percent or more, a budget amendment to reflect such changes is adopted in an open meeting.

(3) Cash

At December 31, 2004, the City has \$1,870,449 in demand deposits at two local banks.

The bank balances and collateralization for deposit at December 31, 2004 are as follows:

Total bank balances	\$ <u>1,870,449</u>
Federal deposit insurance	100,000
Pledged securities	<u>3,016,954</u>
Total collateral	\$ <u>3,116,954</u>
Collateral – excess	\$ <u>1,246,505</u>

Collateral investments are held in the name of the City by its agent and are classified as Category 1 investments under GASB 3 requirements. Louisiana Revised Statutes authorize the City to invest in United States bonds, treasury notes, certificates or other obligations of the United States of America, or time certificates of deposit of state banks organized under Louisiana laws and national banks having principal offices in the State.

CITY OF HARAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(4) Property Tax

Property taxes on real and personal property are levied by the City as an enforceable lien on the property as of January 1; the taxes are payable on December 1, and are delinquent on January 1.

The assessed value of the property is determined by the Jefferson City assessor's office. The assessed value at January 1, 2004, upon which the 2004 levies were based, was \$53,187,656. The combined 2004 tax rate was \$16.72 per \$1,000 of assessed valuation. Of this amount, \$13.71 was available for general operations and \$3.01 was available for sewerage operations and maintenance.

(5) Accounts Receivable

Accounts receivable at December 31, 2004 consisted of the following:

Sales and use taxes	\$ 120,167
Franchise fees	97,227
Sanitation services	60,111
Other	<u>67,036</u>
 Total accounts receivable	 \$ <u>344,541</u>

(6) Property, Plant and Equipment

A summary of changes in general fixed assets is as follows:

	<u>January 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2004</u>
Land, land improvement and buildings	\$ 1,485,601	27,608	-	\$ 1,513,209
Transportation equipment	1,341,201	18,600	-	1,359,801
Other equipment	594,648	66,947	-	661,595
Furniture and fixtures	29,908	-	-	29,908
Computer equipment	85,803	19,653	-	105,456
Total asset cost	<u>3,537,161</u>	<u>132,808</u>	-	<u>3,669,969</u>
Less: Accumulated depreciation	<u>(2,586,313)</u>	<u>(144,037)</u>	-	<u>(2,730,350)</u>
Net assets	\$ <u>950,848</u>	<u>(11,229)</u>	-	\$ <u>939,619</u>

CITY OF HARAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(6) Property, Plant and Equipment (Continued)

A summary of changes in proprietary fund type property, plant and equipment is as follows:

	<u>January 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2004</u>
Land	\$ 7,121	-	-	\$ 7,121
Rights of way	6,606	-	-	6,606
Sewerage collection system	3,858,719	-	-	3,858,719
Sewerage treatment plant	1,090,632	84,556	-	1,175,188
Vehicles	26,230	-	-	26,230
Total asset cost	4,989,308	84,556	-	5,073,864
Less: Accumulated depreciation	<u>(1,935,982)</u>	<u>(107,217)</u>	-	<u>(2,043,199)</u>
Net assets	\$ <u>3,053,326</u>	<u>(22,661)</u>	-	\$ <u>3,030,665</u>

Proprietary fund type fixed assets are depreciated using the following useful lives: Sewer collection system - 20-75 years; Sewer treatment plant - 10-50 years; and vehicles - 5 years.

(7) Changes in Long-term Obligations

A summary of changes in long-term obligations are as follows for the year ended December 31, 2004:

	<u>Governmental Funds</u>			<u>Enterprise Fund</u>	<u>Total</u>
	<u>Sales Tax Bonds</u>	<u>Capital Lease</u>	<u>Compensated Absences</u>	<u>Loan Payable</u>	
January 1	\$ 3,450,000	\$ 309,321	\$ 219,900	\$ 300,000	\$ 4,279,221
Additions	-	-	42,246	-	42,246
Reductions	<u>(95,000)</u>	<u>(44,379)</u>	<u>(30,414)</u>	<u>(50,000)</u>	<u>(219,793)</u>
December 31,	\$ <u>3,355,000</u>	\$ <u>264,942</u>	\$ <u>231,732</u>	\$ <u>250,000</u>	\$ <u>4,101,674</u>
Due within one year	\$ <u>95,000</u>	\$ <u>47,028</u>	\$ <u>30,414</u>	\$ <u>50,000</u>	\$ <u>222,242</u>

a) Sales Tax Bonds

Sales tax refunding and improvement bonds, payable at December 31, 2004, are the following:

\$3,750,000 1999 Sales Tax Refunding and Public Improvement Bonds due in monthly installments ranging from \$95,000 to \$275,000 including interest through June 1, 2024, at various interest rates

\$ 3,355,000

CITY OF HARAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(7) Changes in Long-term Obligations

a) Sales Tax Bonds (Continued)

The City is subject to the Municipal Finance Law of the State of Louisiana, which limits the amount of net bonded debt (exclusive of revenue and special assessment bonds) the City may have outstanding to 10 percent of the assessed valuation. The statutory debt limit and the amount available for general obligation borrowing as of December 31, 2004 is \$6,108,696.

The annual requirements to amortize all debt outstanding as of December 31, 2004, including interest payments of \$2,366,054 are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
July 15,					
2005	\$ 95,000	\$	191,699	\$	286,699
2006	100,000		186,920		286,920
2007	105,000		181,820		286,820
2008	110,000		176,390		286,390
2009	120,000		170,465		290,465
2010-2014	695,000		746,412		1,441,412
2015-2019	905,000		516,385		1,421,385
2020-2024	<u>1,225,000</u>		<u>195,963</u>		<u>1,420,963</u>
	\$ <u>3,355,000</u>	\$	<u>2,366,054</u>	\$	<u>5,721,054</u>

The indentures under which these bonds were issued provide for the establishment of debt service funds:

Commencing January 2001, a sum equal to the pro-rata amount of the interest falling due on the 1999 bonds on the next interest payment date and the pro-rata amount of the principal of the 1999 bonds falling due on the next principal payment date, together with any such additional proportionate sum as may be required to pay said principal and interest, shall be transferred from the Sales Tax Fund, monthly to the Sales Tax Bond Sinking Fund.

The City is in compliance with this debt covenant at December 31, 2004.

b) Capital Lease

During 2000, the City entered into a capital lease for the purchase of a fire truck with principal payments beginning in July 2000. Included in capital outlay expenditures are principal payments of \$44,379 and included in public safety-fire expenditures is interest payments of \$18,466 that were paid during 2004. This capital lease is secured by a security interest in the fire truck.

Lease terms, at an interest rate of 5.97%, are as follows:

CITY OF HARRAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(7) Changes in Long-term Obligations

b) Capital lease (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>July 15,</u>			
2005	\$ 47,028	\$ 15,817	\$ 62,845
2006	49,836	13,009	62,845
2007	52,811	10,034	62,845
2008	55,963	6,882	62,845
2009	59,304	3,541	62,845
	<u>264,942</u>	<u>\$ 49,283</u>	<u>\$ 314,225</u>

Included in transportation equipment is \$475,604 for the fire truck subject to the capital lease. The accumulated depreciation of the equipment was \$214,021 at December 31, 2004.

c) Enterprise Fund Loan Payable

During 2000, the City entered into a long-term agreement with the management company administering the Sewer Fund to provide for capital and maintenance improvements. In return, the City committed the Sewer Fund to repay a maximum of \$500,000 to the management company without any stated interest. Construction services provided as of December 31, 2004 totaled \$500,000. Principal payments of \$50,000 were made during the year ended December 31, 2004. As of December 31, 2004, the total payments due under this agreement, including imputed interest, were \$250,000, payable in installments of \$50,000 annually through 2009.

(7) Equity

Designated Fund Balance - Capital Projects - This amount has been designated for future capital improvements.

CITY OF HARAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(8) Interfund Balances

Individual fund interfund receivable and payable balances as of December 31, 2004 were as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 473,404	\$ 23,524
Sales tax fund	-	73,342
Bond sinking fund	-	259,489
Bond reserve fund	-	573
Capital projects fund	23,524	-
Enterprise fund - sewerage district	-	140,000
	<u>\$ 496,928</u>	<u>\$ 496,928</u>

Interfund transfers for the year ended December 31, 2004 were as follows:

	<u>Transfers in</u>	<u>Transfers Out</u>
General fund	\$ 1,010,226	\$ 134,895
Sales tax fund	-	1,309,983
Bond sinking fund	509,247	209,490
Capital projects fund	134,895	-
	<u>\$ 1,654,368</u>	<u>\$ 1,654,368</u>

(9) Pension Plans

a.) Municipal Police Employees' Retirement Plan

Plan Description

For police personnel, the City contributes to the Municipal Police Employee' Retirement Plan, a cost sharing multi-employer defined benefit plan administered by the Municipal Police Employees' Retirement System (MPERS). MPERS provides retirement, death, and disability benefits to plan members and beneficiaries in accordance with state statutes. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Municipal Police Employees' Retirement System, 8550 United Plaza Boulevard, Suite 501, Baton Rouge, LA 70809-200.

Funding Policy

Plan members are required to contribute 7.5% of their annual covered salary and the City is required to contribute 15.25%. Effective July 1, 2004, the City was required to contribute 21.5%. The

CITY OF HARAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(9) Pension Plans

a.) Municipal Police Employees' Retirement Plan (Continued)

contribution requirements of the plan members and the City are established and may be amended by the MPERS Board of Trustees in accordance with state statute. The City's contribution for the years ended December 31, 2004, 2003, and 2002 were \$107,317, \$72,344, and \$48,459, respectively, equal to the required contributions for each year.

b.) Louisiana Firefighters' Retirement Plan

Plan Description

For firefighting personnel, the City contributes to the Louisiana Firefighters' Retirement Plan, a cost sharing multiple employer defined benefit plan administered by the Louisiana Firefighters' Retirement System (LFRS). LFRS provides retirement, death, and disability benefits in accordance with state statutes. LFRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Louisiana Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana, 70809.

Funding Policy

Plan members are required to contribute 8.0% of their annual salary and the City is required to contribute 21%. Effective July 1, 2004, the City was required to contribute 24%. The contribution requirements of the plan members and the City are established and may be amended by LFRS Board of Trustees in accordance with state statute. The City's contributions for the years ended December 31, 2004, 2003, and 2002 were \$46,091, \$33,539, and \$16,976, respectively, equal to the required contributions for each year.

Other City employees are not covered by a pension plan.

(10) Contingencies

The City is a defendant in several lawsuits. Damages are generally covered by insurance less deductible for risks retained by the City. The City does not expect any material adverse impact relating to these suits in excess of amounts currently accrued.

(11) Change in Reporting

The City adopted Government Accounting Standards Board Statement No. 34 in 2004 which implemented a new reporting model for financial statement presentation for the City. The impact of the adoption of this statement was a change in format of the financial statements to include government-wide and fund financial statements.

CITY OF HARAHAN, LOUISIANA

Notes to Financial Statements

December 31, 2004

(12) Restatement of Net Assets

The beginning net assets on the Statement of Net Assets have been restated to report the compensated absences liability on the government wide financial statements.

Net assets beginning of the year	\$	718,503
Compensated absences liability at December 31, 2003		<u>219,900</u>
Net assets beginning of the year, restated	\$	<u>938,403</u>

CITY OF HARRAHAN

General Fund
Budget Comparison Schedule (GAAP Basis)

For the year ended December 31, 2004

	Initial Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES				
Ad valorem taxes	\$ 680,000	\$ 714,475	\$ 720,220	\$ 5,745
Intergovernmental	223,000	304,330	382,867	78,537
Fees, licenses and permits	801,250	819,540	753,175	(66,365)
Fines and forfeitures	336,510	364,210	435,671	71,461
Charges for services	572,400	573,635	601,585	27,950
Gaming revenue	131,300	131,300	136,127	4,827
Interest income	13,400	13,400	10,790	(2,610)
Other	30,350	39,676	60,913	21,237
Total revenues	2,788,210	2,960,566	3,101,348	140,782
EXPENDITURES				
General government	690,995	750,400	778,104	(27,704)
Public safety - police	1,082,925	1,250,101	1,405,346	(155,245)
Public safety - fire	753,801	725,290	756,696	(31,406)
Public works	185,796	182,804	182,059	745
Sanitation	553,000	553,000	561,409	(8,409)
Recreation	212,338	201,307	192,065	9,242
Capital outlay	-	98,684	103,074	(4,390)
Total expenditures	3,478,855	3,761,586	3,978,753	(217,167)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(690,645)	(801,020)	(877,405)	(76,385)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	760,000	805,000	1,010,226	205,226
Operating transfers out	(130,000)	(130,000)	(134,895)	(4,895)
Total other financing sources (uses)	630,000	675,000	875,331	200,331
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(60,645)	(126,020)	(2,074)	123,946
FUND BALANCE:				
BEGINNING OF YEAR, RESTATED	569,387	569,387	569,387	-
END OF YEAR	\$ 508,742	\$ 443,367	\$ 567,313	\$ 123,946

See accompanying independent auditors' report.

CITY OF HARAHAH

Sales Tax Fund
Budget Comparison Schedule (GAAP Basis)

For the year ended December 31, 2004

	Initial Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES				
Sales and use tax revenue	\$ 805,000	\$ 805,000	\$ 1,309,983	\$ 504,983
Interest income	-	-	245	245
Total revenues	805,000	805,000	1,310,228	505,228
EXPENDITURES				
Total expenditures	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	805,000	805,000	1,310,228	505,228
OTHER FINANCING USES				
Operating transfers out	(805,000)	(805,000)	(1,309,983)	504,983
Total other financing uses	(805,000)	(805,000)	(1,309,983)	504,983
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	245	245
FUND BALANCE:				
BEGINNING OF YEAR, RESTATED	157	157	157	-
END OF YEAR	\$ 157	\$ 157	\$ 402	\$ 245

See accompanying independent auditors' report.

CITY OF HARAHAN

Non-Major Governmental Funds
Combining Balance Sheet - By Fund

December 31, 2004

Assets	Capital Projects	Capital Projects - 1999	Total
Cash	\$ 91,990	\$ 554	\$ 92,544
Due from other funds	23,524	-	23,524
Total Assets	<u>\$ 115,514</u>	<u>\$ 554</u>	<u>\$ 116,068</u>
Liabilities and equity			
Liabilities:			
Accounts payable	\$ 12,600	\$ -	\$ 12,600
Total Liabilities	<u>12,600</u>	<u>-</u>	<u>12,600</u>
Equity:			
Fund balances:			
Unreserved - designated	<u>102,914</u>	<u>554</u>	<u>103,468</u>
Total Equity	<u>102,914</u>	<u>554</u>	<u>103,468</u>
Total liabilities and equity	<u>\$ 115,514</u>	<u>\$ 554</u>	<u>\$ 116,068</u>

See accompanying independent auditors' report.

CITY OF HARRAHAN

Non-Major Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance

For the year ended December 31, 2004

REVENUES	<u>Capital Projects</u>	<u>Capital Projects</u>	<u>Total</u>
Interest income	\$ 902	\$ 9	\$ 911
Total Revenues	<u>902</u>	<u>9</u>	<u>911</u>
EXPENDITURES			
General government	21,361		21,361
Capital outlay	29,734	-	29,734
Total Expenditures	<u>51,095</u>	<u>-</u>	<u>51,095</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(50,193)</u>	<u>9</u>	<u>(50,184)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	134,895	-	134,895
Total Other Financing Sources	<u>134,895</u>	<u>-</u>	<u>134,895</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	84,702	9	84,711
FUND BALANCES:			
BEGINNING OF YEAR	<u>18,211</u>	<u>545</u>	<u>18,756</u>
END OF YEAR	<u>\$ 102,913</u>	<u>\$ 554</u>	<u>\$ 103,467</u>

See accompanying independent auditors' report.

Schedule 5

CITY OF HARAHAN, LOUISIANA

Schedule of Compensation Paid to City Council Members

Year ended December 31, 2004

Scott Blanchard	\$ 6,120
Louis Butler	6,120
Provino Mosca (Mayor Pro Tem)	6,456
Roy Richardson	6,120
Tiffany Wilken	<u>6,120</u>
	<u>\$ 30,936</u>

See accompanying independent auditors' report.



Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

The Honorable Mayor and City Council
City of Harahan, Louisiana:

We have audited the financial statements of City of Harahan, Louisiana (the City) as of and for the year ended December 31, 2004, and have issued our report thereon dated May 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operations that we consider to be material weaknesses. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-3.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2004-1 and 2004-2.

This report is intended solely for the information and use of the Harahan City Council, the City management, state awarding agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postthwaite + Netterville

Metairie, Louisiana
May 27, 2005

City of Harahan, Louisiana
Schedule of Findings and Questioned Costs
December 31, 2004

Finding 2004-1 Budget Requirement

Criteria: LSA-RS 39:1310 provides that total actual expenditures exceeding the total budgeted expenditures by five percent or more.

Condition: Total expenditures of \$3,978,753 exceeded the budgeted expenditures of \$3,698,221 by 8%.

Questioned Cost: None.

Effect: The City expended funds not authorized by its legally adopted budget.

Recommendation: Budget amendments should be adopted when changed operations or conditions require that total expenditures will exceed budget.

Management Response: The City will improve monitoring of expenses and submit budget amendments as needed to remain in compliance.

Finding 2004-2 Public Bid Requirement

Criteria: LSA-RS 38:212.1 requires that purchases of materials and supplies greater than \$20,000 be advertised and let by contract to the lowest bidder according to specifications.

Condition: During the year ended December 31, 2004, the City purchased \$25,375 of playground equipment which was not advertised.

Questioned Cost: None.

Effect: The City may not have obtained the lowest price for the specified equipment.

Recommendation: We recommend that the City monitor capital purchases to ensure compliance with the applicable state bid laws.

Management Response: The City contacted the Attorney General's office to inquire about the bid requirements relating to the playground equipment. The representative at the Attorney General's office indicated to the City that the project was public works and not subject to the bid requirements. Upon further information, the Attorney General indicated that the equipment purchase should have been advertised and bid.

City of Harahan, Louisiana
Schedule of Findings and Questioned Costs
December 31, 2004

Finding 2004-3 Bank reconciliations

Criteria:	All bank statements and bank reconciliations of the City should be reviewed by the City Bookkeeper.
Condition:	The police department maintains two bank accounts for seized assets or funds. These accounts are reconciled by employees of the Police department. On an annual basis, the December bank statement and account reconciliation is provided to the City Bookkeeper for adjusting to the general ledger.
Questioned Cost:	None.
Effect:	The current internal control structure provides limited oversight and provides the opportunity for fraud to occur.
Recommendation:	We recommend that bank statements for these accounts be received each month by the City Bookkeeper. The City Bookkeeper should also receive a copy of the bank reconciliation each month.
Management Response:	The City will obtain the bank statements and the bank reconciliations for the accounts indicated on a monthly basis.

City of Harahan, Louisiana

Schedule of Prior Year Findings and Questioned Costs

December 31, 2004

Finding 2003-1 Security for Deposits

Criteria: LSA-RS 39:1225 requires that the security for deposits shall at all times be equal to 100% of the amount of collected funds to the credit of each depositing authority except that portion ensured by a governmental agency ensuring the bank which is organized in the United States.

Condition: As of December 31, 2003 the excess of collected fund on deposit with banks exceed the value of the security by \$154,870.

Questioned Cost: None.

Effect: The City was exposed to risk of loss in the event of a failure by the bank and was not in compliance with State laws.

Recommendation: City monitor the collateral on a daily basis and that documentation of the procedures be provided for review each day.

Management Response: The City reviewed its procedures and adjusted them as appropriate.

Status: The City resolved the issue during 2004. At December 31, 2004, the City is in compliance with the collateral requirements.

City of Harahan, Louisiana

Schedule of Prior Year Findings and Questioned Costs

December 31, 2004

Finding 2003-2 Departmental Budgets

Criteria: LSA-RS 39:1311 provides that the adopted budget and duly authorized amendments shall constitute the authority of the political subdivision to incur liabilities and authorized expenditures.

Condition: The Public safety police and sanitation departments of the City expended \$87,081 and \$52,979 in excess of their respective budgets.

Questioned Cost: None.

Effect: The City expended funds not authorized by its legally adopted budget.

Recommendation: Budget amendments should be adopted when changed operations or conditions require that expenditure will exceed budget.

Management Response: The City monitored the department expenditures more closely during the year and submitted budget amendments more timely during the year.

Status: The finding is not resolved as the City has a budget compliance finding (2004-1) for the year ended 2004.